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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington D. C. 20549

[✓] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 1992

Commission file number 1-8170

Box Energy Corporation
(Exact name of registrant as specified in its charter)

Delaware	75-2369148
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8201 Preston Road, Suite 600, Dallas, TX 75225-6211
(Address of principal executive offices)

(214) 890-8000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

On August 13, 1992, 3,245,110 shares Class A common stock and 17,558,010 shares Class B common stock were outstanding.

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BOX ENERGY CORPORATION

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

BOX ENERGY CORPORATION
CONDENSED BALANCE SHEETS

ASSETS

	June 30, 1992 (Unaudited)	December 31, 1991
Current assets		
Cash and cash equivalents	$ 348,000	$ 1,094,000
Accounts receivable	2,051,000	1,090,000
Prepaid expenses and other current assets	227,000	92,000
Total current assets	2,626,000	2,276,000
Oil and gas properties	129,851,000	119,116,000
Accumulated depreciation, depletion and amortization	(75,945,000)	(74,724,000)
	53,906,000	44,392,000
Deferred income tax asset	7,187,000	—
Other assets	6,947,000	6,677,000
Accumulated depreciation and amortization	(802,000)	(444,000)
	13,332,000	6,233,000
	$ 69,864,000	$ 52,901,000

LIABILITIES AND STOCKHOLDERS' EQUITY/PARTNERS' CAPITAL

Current liabilities		
Accounts payable	$ 2,154,000	$ 1,389,000
Other trade payables	7,780,000	—
Short-term notes payable	2,772,000	2,900,000
Total current liabilities	12,706,000	4,289,000
Notes payable	2,113,000	—
Estimated liability for dismantlement	2,306,000	2,312,000
Total other liabilities	4,419,000	2,312,000
Total liabilities	17,125,000	6,601,000
Partner's capital	—	46,300,000
Common Stock, $1.00 Par Value		
Class A (Voting) Authorized 15,000,000 Shares Issued 3,245,110 Shares	3,245,000	—
Class B (Non-voting) Authorized 30,000,000 Shares Issued 17,558,010 Shares	17,558,000	—
Additional paid in capital	25,197,000	—
Retained earnings	6,739,000	—
Total capital	52,739,000	46,300,000
	$ 69,864,000	$ 52,901,000

See accompanying Accounting Policies and Notes.

BOX ENERGY CORPORATION
CONDENSED STATEMENTS OF INCOME (LOSS) AND STOCKHOLDERS EQUITY
(Unaudited)

	Three Months ended June 30,	
	1992	1991
Net Revenues	$ 3,561,000	$ 4,086,000
Costs and expenses		
Operating costs and expenses	617,000	550,000
Net profits interest expense	—	1,699,000
Depreciation, depletion and amortization	939,000	928,000
Dismantlement of oil and gas properties	7,000	5,000
General and administrative	2,357,000	1,598,000
Management fees	17,000	100,000
Interest and financing costs	72,000	74,000
Total costs and expenses	4,009,000	4,954,000
(Loss) before taxes	(448,000)	(868,000)
Income tax (benefit)	(7,187,000)	—
Net income	$ 6,739,000	$ (868,000)
Earnings per common share/partnership unit	$ .32	$ (.04)
Partnership units outstanding	—	20,391,170
Class A (Voting) common stock	3,245,110	—
Class B (Non-voting) common stock	17,558,010	—
	20,803,120	20,391,170

	Capital General Partner	Capital Limited Partners	Class A Common Stock Par Value	Class B Common Stock Par Value	Additional Paid in Capital	Retained Earnings
Beg. capital 3/31/92	$460,000	$45,540,000				
Transfer assets to Box Energy Corporation	(460,000)	(45,540,000)	$3,245,000	$17,558,000	$25,197,000	—
Net income 2nd qtr.						$6,739,000
Ending capital 6/30/92	$ —	$ —	$3,245,000	$17,558,000	$25,197,000	$6,739,000

See accompanying Accounting Policies and Notes.

BOX ENERGY CORPORATION
CONDENSED STATEMENTS OF INCOME (LOSS) AND STOCKHOLDERS EQUITY
(Unaudited)

	Six Months ended June 30,	
	1992	1991
Net Revenues	$ 6,133,000	$ 13,803,000
Costs and expenses		
Operating costs and expenses	1,318,000	1,254,000
Net profits interest expense	—	3,887,000
Depreciation, depletion and amortization	1,556,000	1,930,000
Dismantlement of oil and gas properties	9,000	5,000
General and administrative	3,715,000	3,649,000
Management fees	117,000	200,000
Interest and financing costs	166,000	89,000
Total costs and expenses	6,881,000	11,014,000
(Loss) before taxes	(748,000)	2,789,000
Income tax (benefit)	(7,187,000)	—
Net income	$ 6,439,000	$ 2,789,000
Earnings per common share/partnership unit	$ .31	$ .14
Partnership units outstanding	—	20,391,170
Class A (Voting) common stock	3,245,110	—
Class B (Non-voting) common stock	17,558,010	—
	20,803,120	20,391,170

	Capital General Partner	Capital Limited Partners	Class A Common Stock Par Value	Class B Common Stock Par Value	Additional Paid in Capital	Retained Earnings
Beg. capital 12/31/91	$463,000	$45,837,000				
Net income (loss) 1st qtr.	(3,000)	(297,000)				
Transfer assets to Box Energy Corporation	(460,000)	(45,540,000)	$3,245,000	$17,558,000	$25,197,000	—
Net income 2nd qtr.						$6,739,000
Ending capital 6/30/92	$ —	$ —	$3,245,000	$17,558,000	$25,197,000	$6,739,000

See accompanying Accounting Policies and Notes.

BOX ENERGY CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months ended June 30,	
	1992	1991
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from customers for oil and gas sales	$ 5,119,000	$ 15,765,000
Cash received from other sources	47,000	1,479,000
Interest received	6,000	881,000
Cash paid to suppliers and employees	(4,526,000)	(6,128,000)
Cash paid to net profits interest owner	—	(7,124,000)
Cash paid for interest and financing costs	(161,000)	(92,000)
Net cash provided by operating activities	485,000	4,781,000
Cash flows from investing activities:		
Payments for capital expenditures	(10,996,000)	(10,211,000)
Net cash used by investing activities	(10,996,000)	(10,211,000)
Cash flows from financing activities:		
Proceeds from notes payable	4,060,000	—
Other financing from trade payables	7,780,000	—
Principal payments on notes payable	(2,075,000)	—
Cash distributions	—	(6,179,000)
Net cash provided (used) by financing activities	9,765,000	(6,179,000)
Net increase (decrease) in cash and cash equivalents	(746,000)	(11,609,000)
Cash and cash equivalents at beginning of period	1,094,000	28,266,000
Cash and cash equivalents at end of period	$ 348,000	$ 16,657,000
Reconciliation of net income to net cash provided by operating activities:		
Net Income	$ 6,439,000	$ 2,789,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,556,000	1,930,000
Dismantlement of oil and gas properties	9,000	5,000
(Increase) decrease in accounts receivable	(961,000)	4,335,000
(Increase) in prepaid expenses and other current assets	(135,000)	(39,000)
Increase (decrease) in accounts payable	764,000	(1,002,000)
(Decrease) in net profits interest payable	—	(3,237,000)
Deferred income taxes (benefit)	(7,187,000)	—
Total adjustments	(5,954,000)	1,992,000
Net cash provided by operating activities	$ 485,000	$ 4,781,000

See accompanying Accounting Policies and Notes.

BOX ENERGY CORPORATION
ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS
June 30, 1992

Note 1. Accounting Policies

Basis of Presentation

On April 15, 1992, OKC Limited Partnership (the "Partnership") filed a Certificate of Cancellation with the Secretary of State of the State of Texas. All of the assets and liabilities of the Partnership were transferred to Box Energy Corporation ("Box Energy" or the "Company") in exchange for the common stock of such corporation, which stock was distributed to the General Partners, Limited Partners and other unitholders of the Partnership. See Item 5 of Part II, "Other Information." For accounting purposes, the assets, liabilities and equity account balances of the Partnership as of March 31, 1992 were transferred to open the books of Box Energy Corporation effective as of April 1, 1992. Statements of Income (Loss) and Statements of Cash Flows during 1992 reflect a combination of Box Energy Corporation and OKC Limited Partnership in order to provide comparative financial statements.

Financial information provided in this report reflects all transactions and adjustments which are, in the opinion of management, necessary for a fair statement of results of operations and financial position for the interim periods. All adjustments are of a normal recurring nature. The financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore may not include all disclosures required of financial statements prepared in conformity with generally accepted accounting principles.

Cash and Cash Equivalents

Cash equivalents consist of short-term highly liquid investments which are readily convertible to cash and have original maturities of three months or less.

Oil and Gas Properties

The oil and gas properties of Box Energy Corporation were initially recorded as of April 1, 1992 to reflect the cost and the accumulated depletion, depreciation and amortization of those properties to the Partnership as of March 31, 1992. Oil and gas properties, which are accounted for on the successful-efforts method, are recorded at cost. Costs of undeveloped properties, development drilling and successful exploratory drilling are capitalized, including interest on funds borrowed for construction of certain assets. Total interest expense incurred for the six months ending June 30, 1992 was $275,000, of which $109,000 was capitalized. No interest was capitalized in the prior period. All costs relating to unsuccessful oil and gas exploration, delay rentals and abandoned and dismantled properties are expensed. Upon the sale or other disposition of an oil and gas property, the cost of such asset and related accumulated depreciation, depletion and amortization amounts are removed from the accounts, and any gain or loss is reflected in the statements of income (loss). Costs of producing properties are depreciated and depleted on the units-of-production method.

Total dismantlement, restoration and abandonment liability of the offshore platforms and related wells is estimated at $3,811,000. The liability is amortized against income using the units-of-production method and total proved reserves.

Other Trade Payables

Other trade payables on June 30, 1992 include outstanding invoices payable to the operator of the South Pass area properties. In accordance with the Joint Operating Agreement, Box Energy is paying interest

at 6% on these outstanding invoices until paid. Operator's liens related to these payables had been filed in the amount of $5,495,000 as of June 30, 1992. Such amount was paid subsequent to June 30, 1992, and all liens have been released.

Notes Payable

The Company is indebted under a seven year monthly installment note payable to a financing company which is collateralized by a Beechcraft King Air. The principal balance of the note on June 30, 1992 was $2,395,000, of which $282,000 is due during the next twelve months and is classified as a short-term note payable. The final installment is payable in February 1999. Interest is payable under the note at 8.5%.

Short-term borrowings also include $1,000,000 of demand notes payable to a bank with interest at 1% above the bank's prime lending rate and $1,490,000 of demand notes payable to CKB & Associates, Inc. at prime plus 2%. See Note 2. Related Party Transactions.

Common Stock

Class A and Class B common stock of the Company are entitled to equal participation in earnings, dividends and liquidation. Class A common stock has voting rights while Class B common stock has no voting rights, unless otherwise required by Delaware law. A majority of the Class A common stock is owned by Cloyce K. Box, President and Chairman of the Board of Box Energy. 3,000,000 shares of authorized but unissued Class B common stock have been reserved for the two 1992 stock option plans. See Note 3. Stock Option Plans.

Income Taxes

Box Energy has adopted the method of accounting for income taxes set forth in Statement of Financial Accounting Standards ("SFAS") No. 109. The approach of SFAS No. 109 is to recognize as assets or liabilities the estimated future tax consequences attributed to temporary differences between financial statement amounts and the tax basis of assets and liabilities using the enacted tax rates effective for the years in which these temporary differences are expected to reverse.

The Company has recorded a deferred tax asset in the amount of $7,187,000 in accordance with SFAS No. 109. The largest portion of this asset is related to the temporary differences between the book and tax basis of the oil and gas properties. In addition, the Company has generated a taxable net loss carryforward which will expire in the year 2007. The Company has not set up a valuation allowance for the deferred tax asset as the temporary differences are expected to fully reverse in future years.

Prior to the transfer of the assets and liabilities from the Partnership to Box Energy on April 15, 1992, taxable income or loss of the Partnership was allocated directly to its partners and unitholders; therefore, no income tax expense was recognized in the financial statements of the Partnership.

Earnings (Loss) per Common Share/Partnership Unit

Earnings (loss) per share for Box Energy is computed by dividing the net income (loss) for the period by the weighted average of the common shares outstanding (both Class A common stock and Class B common stock). The potential dilution from stock options granted to directors and employees is not considered to have a material effect on earnings per common share. See Note 3. Stock Option Plans.

Prior to the transfer of the Partnership's assets, liabilities and operations to Box Energy, net income (loss) per unit was calculated by dividing the net income (loss) allocated to the limited partners and other

unitholders (99% of the total) by the total number of units outstanding. The remaining 1% was allocable to the interest of the individual general partner, which was not represented by units.

The effect on earnings (loss) per share/unit for the first quarter of 1992 as a result of the issuance of 411,950 shares of common stock to the general partners in connection with the corporate conversion is not considered material. Therefore, the weighted average of the common shares outstanding has been computed as if the equivalent number of shares had been issued to the general partners at the beginning of the year.

Note 2. Related Party Transactions

Under the terms of the Amended and Restated Certificate and Articles of Limited Partnership of the Partnership, the general partners, Cloyce K. Box and CKB & Associates ("Associates"), were entitled to reimbursement of all expenses incurred by them on behalf of the Partnership. For the three months ended March 31, 1992, the Partnership received a refund from Associates in the amount of $39,000 for credits received from outside vendors charged to the Partnership in the prior year. For the three month period ended June 30, 1992, Associates billed Box Energy $134,000 for expenses allocable to the Company. During the same periods in 1991 expenses totaling $1,000 and $4,000 were billed to the Partnership by Associates.

Prior to the dissolution of the Partnership, Associates was guaranteed an annual minimum management fee equal to the greater of $400,000 or 1% of Partnership net revenues, as defined, or a minimum monthly draw of $33,333. For the period beginning January 1, 1992 through April 15, 1992, Associates was entitled to a management fee of $117,000. During the six months ended June 30, 1991, Associates was entitled to a management fee of $200,000. Box Energy does not pay a management fee to Associates.

Associates has made short term loans to both Box Energy and the Partnership during the first half of 1992. On June 30, 1992 the outstanding principal balance was $1,490,000. Interest payable at the rate equal to prime plus 2 % totaled $7,000 for the six months ended June 30, 1992. Subsequent to June 30, 1992, Associates has loaned the Company an additional $3,676,000.

CKB Petroleum, Inc., an affiliate of Associates, owns a minority interest in the oil pipeline from the wells in South Pass Blocks 86 and 89 to Venice, Louisiana. The tariff for the pipeline is published and filed with the Federal Energy Regulatory Commission which regulates such rates. The rate is uniform among all common carriers from South Pass Block 89 Field. CKB Petroleum, Inc. billed the Partnership $274,000 for pipeline transportation charges for the three months ended March 31, 1992 and billed Box Energy $377,000 for the three months ended June 30, 1992. For the three and six month periods ended June 30, 1991, the Partnership was billed $378,000 and $790,000, respectively.

Box Interiors, an affiliate of Associates, billed the Partnership at cost for furnishings and accessories related to the construction and finish-out of office space now used by Box Energy. The billings were $12,000 during the first quarter of 1992. The Partnership was billed $200,000 and $704,000, respectively, for the three and six month periods ended June 30, 1991.

On June 30, 1992, Box Energy was indebted to a bank in the amount of $1,000,000. Interest expense accrued during the six months ended June 30, 1992 was $40,000. A director of Box Energy Corporation is Chairman of the Board and President of the bank. In addition, a 15% owner of Box Energy Class A common stock is also a director of the bank.

Note 3. Stock Option Plans

The Company has adopted two plans under which stock options may be granted: the 1992 Non-qualified Stock Option Plan and the 1992 Incentive Stock Option Plan.

The 1992 Non-Qualified Stock Option Plan provides for the granting of a maximum of 1,000,000 stock options to directors of the Company for the purchase of up to 50,000 shares per director of Class B (Non-voting) common stock. The exercise price is equal to the closing price of the stock on the date of grant.

The 1992 Incentive Stock Option Plan provides for the granting of a maximum of 2,000,000 stock options to employees of the Company for the purchase of up to 20,000 shares per employee of Class B (Non-voting) common stock. The exercise price is equal to the closing price for the common stock at the date of grant, except for employees owning more than 10% of the voting stock, for which the exercise price is 110% of the closing price on the date of grant.

Under both stock option plans 50% of the options are exercisable no sooner than three years from the date of the grant, and the remaining 50% may be exercised only after five years from the date of the grant. Both plans are administered by a stock option committee composed of three members of the Board of Directors. Transactions involving the plans are summarized below.

1992 Non-Qualified Stock Option Plan

Outstanding April 15, 1992	-0-
Granted	225,000
Exercised	-0-
Expired	-0-
Outstanding balance June 30, 1992	225,000
Exercise Price: $11.875 per share	

1992 Incentive Stock Option Plan

Outstanding April 15, 1992	-0-
Granted	142,600
Exercised	-0-
Expired	-0-
Outstanding June 30, 1992	142,600
Exercise Price: $11.875-$13.063 per share	

Note 4. Contingencies

Simplot Case

The Partnership and its general partners were named as defendants in a lawsuit filed on November 9, 1987 in the U. S. District Court for the Northern District of Texas, Dallas Division, entitled B. R. Griffin, et al. v. Clovce K. Box, et al., No. CA3-87-2655-T. In that action, plaintiffs who were six holders of Partnership units (one plaintiff requested that he be removed and was dismissed on May 19, 1992) allege, among other things, that defendants misrepresented the rights of Limited Partners through false and misleading public filings with the Securities and Exchange Commission, engaged in self-dealing, usurped opportunities for the Partnership, amended provisions of the Partnership Agreement without authority and breached the Partnership Agreement.

On February 22, 1988, the District Court granted defendants' motions for partial summary judgment, ruling that only those persons who held Limited Partner units of the Partnership - i.e., units acquired by the stockholders of record of OKC Corp. as of May 1, 1981 upon the liquidation and dissolution of OKC Corp. and which have never thereafter been transferred - could vote as Limited Partners on partnership matters. The court also granted for the defendants a preliminary injunction, restraining plaintiffs from interfering with the general partners' management of the Partnership. Plaintiffs appealed to the United States Court

of Appeals for the Fifth Circuit. On August 29, 1990, the Fifth Circuit issued its opinion affirming the District Court's February 22, 1988 orders. The Fifth Circuit ruled: (i) that the language of the Partnership Agreement permitting only Limited Partners to vote is clear and unequivocal; (ii) that transferee unitholders have no absolute right to the status of substitute Limited Partners; and (iii) that transferee unitholders have no voting rights unless they are so admitted as substitute Limited Partners.

On July 2, 1991, plaintiffs filed a motion for a temporary restraining order and a preliminary injunction seeking to enjoin a proposed transaction to dissolve the Partnership and transfer its assets to Box Energy in exchange for Box Energy common stock, which would then be distributed to Partnership unitholders on a one-for-one basis for Partnership units. The District Court issued a temporary restraining order on July 17, 1991 and, on October 4, 1991, granted plaintiffs' motion for a preliminary injunction, thereby enjoining the consummation of the proposed transaction "until final judgment is entered in this action or until further order of the court." On March 5, 1992, the United States Court of Appeals for the Fifth Circuit reversed the October 4, 1991 Order of the District Court and vacated the preliminary injunction. The Fifth Circuit ruled that the District Court abused its discretion in enjoining the consummation of the proposed transaction because plaintiffs failed to establish a reasonable likelihood of success on the merits of their claim that transferee unitholders have voting rights. Based on the Fifth Circuit's holding, the transaction occurred on April 15, 1992. See Item 5. Other Information.

The remaining claims asserted by plaintiffs involve the federal securities laws, state law claims including fraud, negligent misrepresentation and breach of fiduciary duty, and federal racketeering. Plaintiffs seek $20 million in compensatory damages and $60 million in punitive damages. In addition, plaintiffs request ancillary relief in the form of disgorgement of illegal profits, reconveyance of certain assets to the Partnership by the defendants and the imposition of a constructive trust upon any assets acquired by defendants as a result of a breach of fiduciary duty. Plaintiffs also seek certain declaratory relief, including a declaration that all transferee unitholders have voting rights.

The defendants have denied the substantive allegations in the complaint. In addition, the Partnership and the General Partners have filed a counterclaim against plaintiffs alleging violations of the federal securities laws, the Partnership Agreement, the Amendments to the Partnership Agreement and Texas law. The Partnership and the General Partners seek an injunction, $2,000,000 in actual damages and $10,000,000 in punitive damages. Discovery is complete, and the trial is now scheduled to begin on September 8, 1992.

Phillips Petroleum Case

In June 1990, Phillips brought an action against the Partnership in United States District Court for the Eastern District of Louisiana, New Orleans Division, claiming that it is entitled to receive an overriding royalty interest for certain individual months in which monthly net profits were not achieved. In this suit, Phillips also claimed that the net profits account was being charged an excessive oil transportation fee. The Partnership moved to dismiss this action for want of federal jurisdiction. This motion was granted. Prior to the granting of the motion, however, Phillips filed a similar suit in Louisiana state court in Plaquemines Parish. Shortly after Phillips filed this suit, the Partnership filed an action for a declaratory judgment on Phillips' claims in state district court in Collin County, Texas. Phillips' Plaquemines Parish action was later transferred to Orleans Parish because of improper venue.

Following the settlement with Texas Eastern Transmission Corporation, the Partnership amended its Collin County action to seek a declaratory judgment that the amount credited to the net profits account by the Partnership as a result of the Texas Eastern Settlement was proper. Many months later, in September 1991, Phillips amended its Orleans Parish action to include a claim regarding the Texas Eastern Settlement. Phillips claims in both cases that all of the proceeds received by the Partnership in the Texas Eastern Settlement should have been credited to its net profits account. The Partnership believes that this issue is controlled by the provision of its farmout agreement with Phillips, which states that Phillips "shall look

exclusively to the oil, gas, condensate, and other hydrocarbons, and all minerals produced from the subject lease for the satisfaction and realization of the net profits interest", and, as a result, Phillips is not entitled to receive any additional portion of the settlement proceeds because such proceeds were paid to settle litigation relating to marketing disputes instead of paying for production. Phillips also claims that it is entitled to receive an overriding royalty interest for certain individual months in which monthly net profits were not achieved and that the oil transportation tariff previously approved by the Federal Energy Regulatory Commission and charged against the net profits account should be reduced.

Phillips also claims that it is entitled to double damages, interest, attorneys fees and cancellation of the farmout agreement by virtue of certain Louisiana statutes pertaining to a mineral lessor or other royalty owner seeking payment of royalties from a lessee who has failed to respond to a claim for unpaid royalties with a written response stating a reasonable cause for nonpayment. The Partnership believes that such statutes are inapplicable because Phillips is not a mineral lessor or other royalty owner, royalties are not involved, and Phillips was given a timely written response stating a reasonable cause for nonpayment. Counsel for the Partnership will aggressively assert the Partnership's claims and defenses in both actions.

Note 5. Pension Plan

A portion of the pension plan and the related assets that pertain to employees of Box Energy including Cloyce K. Box and former employees of Associates employed on behalf of the Partnership, was transferred from Associates to Box Energy and Box Energy has become directly liable for all future costs. Such assumption includes a net amortizable credit for unfunded liabilities, actuarial gains and losses, and changes in assumptions and benefits as of January 1, 1991.

Note 6. Oil and Gas Properties

Subsequent to the disclosure of proved developed and undeveloped oil and gas reserves included in the Form 10-K filed by the Partnership for the period ended December 31, 1991, a substantial discovery of oil and gas reserves was made on South Pass Block 87. Internal engineering studies have indicated that the discoveries by Wells 87-3 and 87-4 have added 1,713,000 barrels of oil and 13.94 Bcf of gas to proved undeveloped reserves and $20,122,000 to the Standardized Measure of Discounted Future Net Cash Flows.

In addition, the Standardized Measure of Discounted Future Net Cash Flows as reported in the same Form 10-K did not include a provision for income taxes since the Partnership was a non-taxable entity. Box Energy as an entity subject to income tax, will include a provision for income taxes which will reduce the Standardized Measure of Discounted Future Net Cash Flows by approximately $39,361,000.

The determination of these reserves is a complex and highly interpretative process which is subject to continued revision as additional information becomes available. In most cases, a relatively accurate determination of reserves may not be possible for several years due to the time necessary for development drilling, testing and studies of the reservoirs. Due to the imprecise nature of the oil and gas reserves and the uncertainty of future economic conditions, the Company makes no representation regarding what interpretations may be made or what degree of reliance may be placed on this estimate of proved oil and gas reserves.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

1. Liquidity and Capital Resources

The Company's primary business strategy is to continue the exploration, development and production of its oil and gas properties located in South Pass Blocks 86, 87 and 89 in the Gulf of Mexico. Drilling in the Southern portion of Block 89 is substantially complete, while the northern portion of Block 89 and Blocks 86 and 87 are in the beginning stages of development. Offshore development of this magnitude

requires large capital commitments, but the rewards can be substantial. The long term liquidity of the Company appears very positive due to a favorable gas contract for South Pass Block 89, which has substantial proved gas reserves, the commencement of production from Platform C, and the recent discoveries on South Pass Blocks 86 and 87. Development of Block 86 and the northern portion of Block 89 is well underway with the placement of Platform C and the completion of three new wells from that platform in the first and second quarters of 1992. Oil and related casinghead gas production has increased substantially with these additional new wells. Block 87 is in the initial development stages and will require the largest commitment of capital for the next several years. The large capital expenditures incurred in the second quarter have had a substantial effect on the short term liquidity of the Company, as evidenced by the increase in other trade payables. Cash from operations has decreased because of the lower oil and gas production as discussed below in Results of Operations. Subsequent to the June 30, 1992, Associates loaned an additional $3,691,000 to the Company and expects to continue to do so until a line of credit is established. The Company is presently negotiating for a $25,000,000 line of credit. At this time Box Energy does not have a binding commitment from any lender. The Company is also considering other sources of financing which may or may not include debt or equity financing. In addition, cash from operations is expected to increase significantly during the third and fourth quarters with the successful completion of the three Platform C wells which is expected to increase the Company's net oil and gas production.

Capital expenditures during the second quarter were $7,752,000, bringing the total for the year to date to $10,996,000. A large portion of the total expenses to date were to complete construction of Platform C and the tie back and completion of the three producing wells. In addition, the company paid $2,775,000 for the drilling of Well 87-3 in South Pass Block 87. Management expects to invest an additional $10,189,000 in capital expenditures during the remainder of 1992. Of this amount, $5,000,000 is budgeted for two additional wells from Platform C and $3,000,000 is budgeted for additional exploratory drilling in South Pass Block 87. Preliminary expenditures on a platform for Block 87 are also expected to be incurred later this year.

Looking forward to 1993, the Company is anticipating capital expenditures of approximately $17,500,000. Plans for 1993 include drilling one additional well from Platform C and one additional well in South Pass Block 87. In addition, another well is proposed to be drilled from Platform B for $2,500,000 which will hasten depletion of the oil reserves in this area so that gas cap blowdown can occur. Also, $4,678,000 has been budgeted for construction of the platform to be located in South Pass Block 87.

Due to the anticipated large capital expenditures, management does not expect any cash dividends to be declared or paid for the remainder of 1992. The Company has not yet formulated its dividend policy for 1993.

Liquidity and capital resources of the Company could be adversely affected by certain possible outcomes of litigation with Phillips Petroleum and the Simplot group. See Note 4. Contingencies. However, management believes that the Company's forecasted increase in net revenues will enable the Company to bear the burden of such possible outcomes.

2. Results of Operations

The results of oil and gas exploration and production activities appear to be very promising. During the first half of 1992, Box Energy successfully completed and installed Platform C located in South Pass Block 86. Three wells, C-1, C-2 and C-3, were tied back and producing by the end of July. Production from the first two of these wells increased net oil revenues by $510,000 during the second quarter.

Exploration drilling in South Pass Block 87 was encouraging as Well 87-4 was completed and flow tested in July at a rate of 2,590 barrels of oil per day and 4.6 MMcf of gas per day. The results were limited by service equipment capacity, and engineering studies based on pressure draw down tests indicated that production flow rates could have easily exceeded 4,000 barrels of oil per day.

Oil revenues from Platform B in South Pass Block 89 decreased $1,147,000 because of a 55,079 barrel decrease in oil production and an additional $255,000 due to lower oil prices. Offsetting this production decline from Platform B was the production of 24,027 barrels from Platform C which resulted in additional revenues of $510,000. The decrease in production was caused by the shut-in of one well, B-19, because of a high gas to oil ratio and the loss of a second well, B-3, due to mechanical difficulties.

Gas production from Platform B in South Pass Block 89 decreased 1,146,676 Mcf for the same reasons as the decrease in oil production, which caused gas revenues to decrease $5,502,000. A decrease in gas prices caused an additional decrease in gas revenues of $487,000. However, gas production of 33,260 Mcf from Platform C increased revenue by $225,000.

Operating expenses remained constant during the comparable periods. Net profits expense decreased because of the combination of lower production and higher capital expenditures for South Pass Block 89. In addition the net profits expense for 1991 included an additional $1,500,000 payment in connection with the Texas Eastern settlement.

Depletion, depreciation and amortization expense decreased as a direct result of the lower oil and gas production, but was partly offset by increased depreciation expense of office leasehold and amortization of organization costs.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

See Part I, Item 1, Note 3 of this Form 10-Q and the Partnership's Form 10-Q for the quarter ended March 31, 1992.

Item 4. Submission of Matters to a Vote of Security Holders

Box Energy Corporation held its annual meeting of shareholders on July 1, 1992. At this meeting the shareholders re-elected the following persons to its Board of Directors: Cloyce K. Box, Don D. Box, John F. Arning, Kent R. Hance, Nauman S. Scott, III, Norman W. Smith, Roger Staubach, Ewell Doak Walker and Richard S. Whitesell, Jr. At that meeting the shareholders also ratified and approved Coopers & Lybrand as auditor for 1992, the 1992 Non-Qualified Stock Option Plan and the 1992 Incentive Stock Option Plan. No other matters were brought before the shareholders to be voted upon at such meeting.

Item 5. Other Information

On March 5, 1992, the U.S. Court of Appeals for the Fifth Circuit overturned a preliminary injunction previously obtained by the Simplot Group that had enjoined the Partnership's conversion into corporate form. As a result, in accordance with the vote of the General Partners and a majority in interest of Limited Partners, the Partnership filed a Certificate of Cancellation with the Secretary of State of Texas on April 15, 1992, and transferred all of its assets and liabilities to Box Energy in exchange for the common stock of such corporation. In accordance with the Proxy Statement of OKC Limited Partnership and Prospectus of Box Energy dated July 2, 1991, and the supplement thereto dated October 22, 1991 (the "Proxy and Prospectus"), and the Registration Statement filed with the Securities and Exchange Commission by Box Energy regarding the issuance of shares pursuant to the Proxy and Prospectus, the limited partners of the Partnership with voting rights and Cloyce K. Box, the individual general partner, received Class A (Voting) Common Stock of Box Energy, and the unitholders of the Partnership without voting rights and Associates, the corporate general partner, received Class B (Non-Voting) Common Stock of Box Energy. The Partnership no longer has any assets, liabilities, partners or unitholders, and the Depositary Receipts for Partnership units are no longer of value. Unitholders were distributed one share of such common stock for each unit of the Partnership held of record at the close of trading on April 15, 1992. Box Energy currently has outstanding 3,245,110 shares of Class A (Voting) Common Stock and 17,558,010 shares of Class B (Non-Voting) Common Stock.

Prior to its acquisition of the assets and liabilities of the Partnership on April 15, 1992, Box Energy had no assets, liabilities, employees or shareholders. The Board of Directors of Box Energy has elected Cloyce K. Box as President and Chairman of the Board of Box Energy and ratified the employment of Associate's personnel as employees of the corporation. The rights of holders of both classes of stock are identical except for voting rights. The shares of Class A (Voting) Common Stock and Class B (Non-Voting) Common Stock are traded on the NASDAQ National Market System under the trading symbols of "BOXXA" and "BOXXB", respectively, and the Pacific Stock Exchange under the trading symbols of "BXCA" and "BXCB".

Item 6. Exhibits and Reports on Form 8-K

(b) No reports on Form 8-K were filed for the six months ended June 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BOX ENERGY CORPORATION

Date: August 13, 1992

By: (Cloyce K. Box)
Cloyce K. Box
President and Chairman of the Board of Directors

Date: August 13, 1992

By: (Jill M. Killam)
Jill M. Killam
Chief Financial Officer